



September 11, 1996

Mr. Steve McLellan, Secretary  
[Washington Utilities and Transportation Commission](#)  
1300 S. Evergreen Park Drive SW  
PO Box 47250  
Olympia, WA 98504-7250

Dear Mr. McLellan:

SUBJECT: [Puget Sound Power and Light's Schedule 48, Docket No. UE-960696](#)

Washington's Department of Community Trade and Economic Development (CTED) supports the Commission's careful attention to this filing, due to its significant economic and policy implications for the citizens of the state. As you know, the subject of access to market-priced power is at the heart of the electric industry restructuring debate and the deliberations of the regional Comprehensive Review. Such access has also been an important consideration in attracting and retaining industrial investment in Washington.

CTED serves a wide range of interests with varying stakes in this decision. We believe that all of these interests can be served by Schedule 48 if it is implemented concurrently with measures that support the Commission's Guiding Principles for an Evolving Electricity Industry. We recognize that access to market-priced power lies at the heart of a complex and contentious policy debate with profound implications for Washington's economic and environmental goals. However, we also recognize that evolution of the power market will not wait for a comprehensive and definitive resolution to this debate. Accordingly, we support the implementation of Schedule 48 as expeditiously as possible, according to the Commission's current schedule, consistent with simultaneous and substantial progress toward:

- equitable distribution of the system's cost and benefits; and
- a competitively neutral strategy for securing appropriate investments in energy efficiency, renewable resources, and low-income assistance.

We believe that a tariff that provides access to market-based prices can be structured so as to be consistent with the goals of Washington's Energy Strategy and the Guiding Principles. Toward that end, we recommend that the Commission direct Puget to more explicitly address the Commission's principles #2, #5, and #8 in its revisions to the filing.

Commission Principle #2 discourages non-economic bypass and inappropriate cost-shifting, while establishing the standard that captive customers should benefit, or at least not be harmed, by customers choosing from among competitive options. As Puget's loads grow, the Company would presumably buy incremental power at market prices, which would tend to reduce costs for all its customers. To the extent that one group of customers is served by market-priced power while others are served by power priced at embedded costs, the latter group would be denied benefits that they would have otherwise enjoyed. This problem may not apply in the case of new loads, as long as those loads make some contribution to recovery of Puget's other fixed costs.

Commission Principle #5 supports the notion that competition should not undermine environmental goals, energy efficiency initiatives, resource diversity and technological innovation. To achieve this end, industrial rates should reflect an equitable share of the appropriate level of public purpose investment. The appropriate mechanism for implementing this principle should be competitively neutral. In the interest of competitive neutrality, the mechanism should ensure that a customer's level of contribution to appropriate investments in energy efficiency, renewable resources, and low-income assistance that benefit the system as a whole is not contingent on that customer's choice of power supplier.

Commission Principle #8 underscores the importance of fair prices for all consumers and fair treatment of shareholder investments. The achievement of this principle depends on the implementation of an equitable, explicit, and durable way of allocating the system's historic costs, particularly during the transition to a more competitive market.

We believe that Schedule 48 would be consistent with these principles if adopted in conjunction with:

1. An explicit mechanism for determining the amount of embedded costs that Puget will not recover from eligible customers under Schedule 48 and precluding the transfer of those costs to remaining customers. Ultimately, a fair allocation of stranded costs among all customers and shareholders is needed to prevent cost shifting and provide stability. The tariff should not preclude a more comprehensive stranded cost solution.
2. Development of a strategy for ensuring that participating customers bear an equitable share of the costs associated with appropriate system-wide investments that minimize costs and risks for Puget's entire customer base, including energy efficiency, renewable resources, and low-income assistance. Such investments should be carefully reviewed for cost-effectiveness and efficiency of program implementation.
3. Development of a strategy for allocating some of the net benefits of access to market-priced power (estimated at \$30 million for the eligible customers) to Puget's remaining core customers.
4. Implementation of a pilot program with comparable benefits for smaller customers.

We believe consideration of the issues described above can be accomplished within the Commission's current schedule and that Puget's Schedule 48 proposal, as modified by the above provisions, should be approved.

CTED, and particularly its Energy Policy Group, looks forward to working with the Commission and the parties to develop and implement a more competitive market structure that delivers economic and environmental benefits to all of Washington's citizens and businesses. We hope you will look to us as a partner and a resource in developing specific strategies to meet that goal.

Sincerely,

K.C. Golden  
Assistant Director  
Energy Service Area